Economic Partnership Agreement (EPA) between the European Union and the Southern African Development Community (SADC) EPA Group

Brussels, 10 October 2016

Today the SADC EPA enters into provisional application between the EU and Botswana, Lesotho, Namibia, South Africa and Swaziland. Mozambique is in the process of ratifying the EPA and will start applying the EPA once procedures are completed. Angola is an observer.

How is the SADC EPA a development-oriented agreement?

Under the SADC EPA, the EU will grant Botswana, Lesotho, Mozambique, Namibia, and Swaziland 100% free access to its market. The EU has also fully or partially removed customs duties on 98.7% of imports coming from South Africa. The SADC EPA states do not have to respond with the same level of market opening. Instead, they can keep tariffs on products sensitive to international competition. This is sometimes called asymmetric liberalisation. The Southern African Customs Union (SACU) removes customs duties on only around 86% of imports from the EU. Outside EPAs, the EU has never agreed before to such a degree of asymmetry in any free trade agreement.

The EPA also contains a large number of "safeguards" or safety valves. EPA countries can activate these and increase the import duty in case imports from the EU increase so much or so quickly that they threaten to disrupt domestic production. There are no less than five bilateral safeguards in the agreement, a number not replicated in any other EU trade agreement. In addition, should the EU apply a safeguard under WTO rules, the EU offers its EPA partners a renewable 5-year exemption from its application, so the SADC EPA countries will still be able to export.

The rules of origin determine which products can benefit from the trade preferences. In the SADC EPA they have been formulated in a way to make it much easier for SADC EPA countries to benefit from reduced EU customs duty rates. This will benefit for instance the textile industry in countries such as South Africa or Lesotho which depend on imported fabric. What is more, it is the first agreement that eliminate the possibility for the EU to use agricultural export subsidies.

How will the SADC EPA help the African countries diversify their economies?

For an economy to diversify, access to inputs such as fertilisers and seeds, machinery or industrial parts are essential. The EPA reduces the import duties on many of these intermediate goods. This makes it easier for southern African industries to diversify and add more value to their products.

The EPA also contains a clause that let SADC EPA partners protect their infant industries and let them grow longer in isolation from market forces. Whether a product can or cannot be exported to the EU with a reduced or zero duty rate always depends on its origin. In the SADC EPA, the rules defining the origin are formulated in a way to support development of new value chains in the region. The so-called cumulation of origin will, for example, make it possible to apply discount tariffs on the EU border for fruit harvested in one country of the region and then preserved and canned in another. This type of flexible rules of origin will benefit companies in agri-food, fishery and industrial sectors.

Will the EPA promote democracy and sustainable development?

Article 2 of the SADC EPA recalls that the agreement is based on the principles of respect for human rights, rule of law, and democracy. But the agreement goes further than just recalling these principles. It confirms that under the existing Cotonou Agreement “appropriate measures” can be taken if a Party fails to fulfil its obligations in respect of these fundamental principles. Suspension of trade benefits is one such measure, even if this would be an action of last resort.

The participants of the SADC EPA also confirm that any new or modified legislation on labour conditions or environmental practices that they may adopt will follow internationally recognised standards. It also means that they cannot weaken labour or environmental protection to attract trade or investment. To make sure the rules are respected, each participating country will also be able to request consultations on questions of sustainable development and involve representatives of civil society.

EPAs are based on the Cotonou Agreement of 2000. The provisions of the Cotonou Agreement on human rights, on sustainable development, and on dialogue including parliaments and civil society, continue to apply. As such, the EPA offers some of the most complete protection of human rights and
How can the EPA help strengthen regional integration in southern Africa?

Botswana, Lesotho, Namibia, South-Africa and Swaziland form together the Southern African Customs Union. Established in 1910, it is the oldest existing customs union in the world. A customs union's principal characteristic is a common external tariff for imports. In the case of imports from the EU, however, the SACU members today do not all impose the same duty. In other words, the union is not functioning in an optimal way. The SADC EPA now harmonises the SACU tariffs imposed on imports originating in the EU and consequently improves the functioning of the customs union – an objective that all participants wanted to achieve. In this way, the SADC EPA strengthens regional integration.

But the SADC EPA does more for regional integration. Each SADC EPA state has agreed that any advantage it has granted to the EU shall also be extended to the other SADC EPA states.

Is the agreement good for the EU?

Africa is a rising continent. African countries are climbing up the “Doing Business” rankings. New businesses are emerging and African countries are becoming less dependent on commodities. The EPA is one of the instruments that can help EU business benefit from this new African energy and potential. EPAs are essential in re-anchoring the trade bonds between Africa and the EU.

The EU already has a Trade, Development, and Cooperation Agreement with South Africa since 2000. In exchange for more market openings provided to South Africa, the preferential access to the South African market that the EU enjoys today will now be extended to include agricultural products such as wheat, barley, cheese and pork. The Southern African Customs Union as a whole will align itself to this market access regime.

More than 250 traditional product names – so called geographical indications or GIs – from the EU and more than 100 South African GIs will be protected. This means for instance that a producer in a country other than South Africa cannot market a tea processed from a plant from its own territory under the symbolically important name Rooibos. The same applies to EU traditional product names.

The EU’s trade policy towards the SADC EPA region will now be fully in line with WTO rules. A solid and fully respected rules-based trading system is of crucial importance for the EU – a major international trader.

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<tr>
<th>Degree of Trade Liberalisation by Trade Volume*</th>
<th>Customs duties REMOVED</th>
<th>Current customs duties that REMAIN</th>
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</thead>
<tbody>
<tr>
<td>EU opening towards countries of SADC EPA Group, except South Africa</td>
<td>100% with exception of arms and munitions</td>
<td>arms and munitions</td>
</tr>
<tr>
<td>EU opening towards South Africa</td>
<td>98.7%* (Fully for 96.2% &amp; partially for 2.5%)</td>
<td>1.3%</td>
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<tr>
<td>SACU opening towards the EU products</td>
<td>86.2% (Fully for 74.1% &amp; partially for 12.1%)</td>
<td>13.8%</td>
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* Updated on 10/10/2016 at 12:52, changing 8.7% to 98.7%

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